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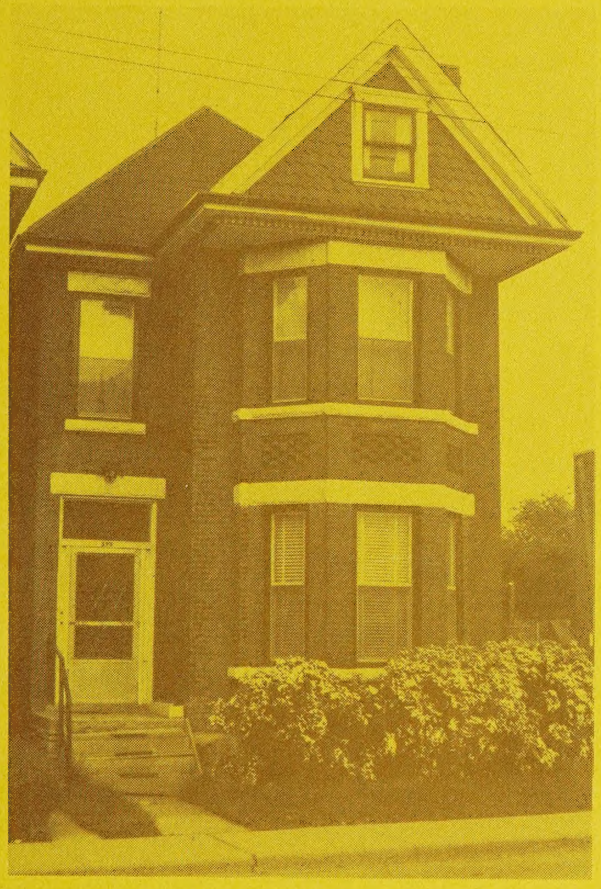
Monitoring the Housing Market

(Supply and Production)

City of Hamilton

January 1st to December 31st, 1978.



Prepared by the
Planning and Development Department
of the
Regional Municipality of Hamilton-Wentworth

June, 1979.

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SECTION 1 - SUMMARY AND RECOMMENDATIONS

SUMMARY

The monitoring exercise shows that in 1978:

- the City experienced a negative growth rate resulting in a population decline of 3,943 persons. Between 1971 and 1978, the average growth rate has been 0.2%;

- net housing unit production fell short of the annual target of 2,600 units by 883 units or 34%, continuing the progressive decline since 1975;

- the housing unit mix did not meet the targets of 650 singles, 130 semi's, 160 row and 1,660 apartments; singles and apartment units fell short while semi and row house units surpassed them;

- the residential (short-term) land inventory failed to meet the target of 6,870 units by 900 units; however, the shortfall occurred only in the supply of apartment units in which only 16% of the target was met. Single, semi and row housing exceeded the targets;

- house prices in Hamilton are lower than in Ottawa, Thunder Bay and municipalities closer to Toronto; they are higher than Ontario municipalities farther from Toronto; Montreal, the Maritimes and Manitoba;

- the apartment vacancy rate has levelled off at 4.5%; however, the actual rent of vacant apartment units has declined since 1975 when rents are converted to 1978 dollars;

- condominium production dropped by 91% between 1977 and 1978, from 461 to 41 units;

- the inventory of low-income housing increased by only 306 units, some 53.6% below the target;

- approvals for residential rehabilitation assistance surpassed the annual target; and

- affordability of housing is no longer the concern it once was in Hamilton.

RECOMMENDATIONS

Although the housing market has failed to meet various targets set in the Housing Policy, it is recommended that:

- the Housing Policy targets continue to be utilized in subsequent monitorings to evaluate the performance of the housing market until definitive market trends can be identified to warrant target adjustments.

SECTION 2 - INTRODUCTION

This is the third annual report providing yearly information on housing activity in the City of Hamilton. This report also compares 1978 housing production in the City with the targets established in the 1976 Council-adopted Housing Policy.

The first monitoring report covering the period 1975-76 was submitted to the City of Hamilton Planning and Development Committee in April, 1977. The second monitoring report for the period January 1st to December 31st, 1977 was submitted to the Planning and Development Committee in May, 1978. This report contains statistical information related to housing supply for the period January 1st to December 31st, 1978.

SECTION 3 - PURPOSE

The purpose of this Report is to provide decision-makers, public and private agencies and the housing development sector with:

- a statistical review of housing activities and changes in the local market conditions;
- a performance evaluation of the housing market in relation to the annual targets; and
- an assessment of Housing Policy as a result of housing market performance.

The basis for monitoring the performance of the housing market lies in the 1976 Council-adopted Housing Policy and the Peter Barnard Associates "Housing Needs" Study. The Housing Policy sets out the following assumptions and annual targets:

i) a population growth rate of 0.7%;

ii) the development of 2,600 housing units;

iii) short-term housing land inventory of 6,870 potential units;

iv) the development of 660 low-income housing units; and

v) the rehabilitation of 195 units under OHRP and RRAP.

SECTION 4 - MONITORING RESULTS

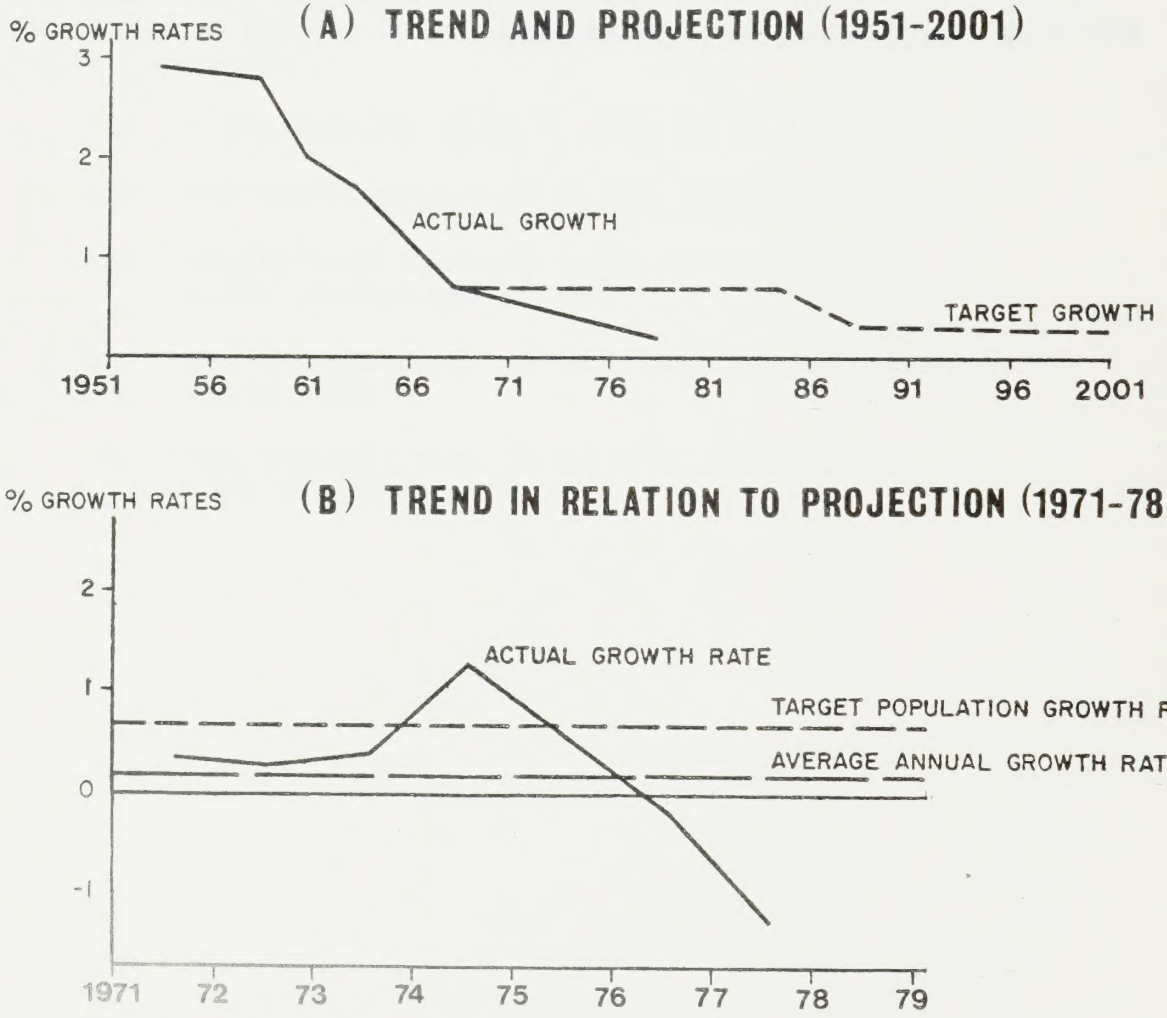
- Population Growth
- Housing Unit Production
- Residential Land Inventory
- Comparative Housing Prices
- Rental Apartment Market
- Condominium Development
- Low Income Housing
- Residential Rehabilitation
- Affordability of Housing

4.1 POPULATION GROWTH (see Appendix 1)

In 1978, the City recorded an assessed population of 307,964 persons, a drop of some 3,943 persons or 1.3% from the 1977 population. The annual growth rate target in the Municipal Housing Statement is 0.7%.* To meet this target, a 1978 population of 316,994 was necessary; however, the City fell short of this target by 9,030 persons.

Between 1971 and 1977, the average annual growth rate in the City was 0.5%, slightly below the target. Given the 1978 population, that average annual growth rate has dropped to 0.2%, which is significantly below the target figure. (see Figure 1)

Figure 1: POPULATION GROWTH RATES

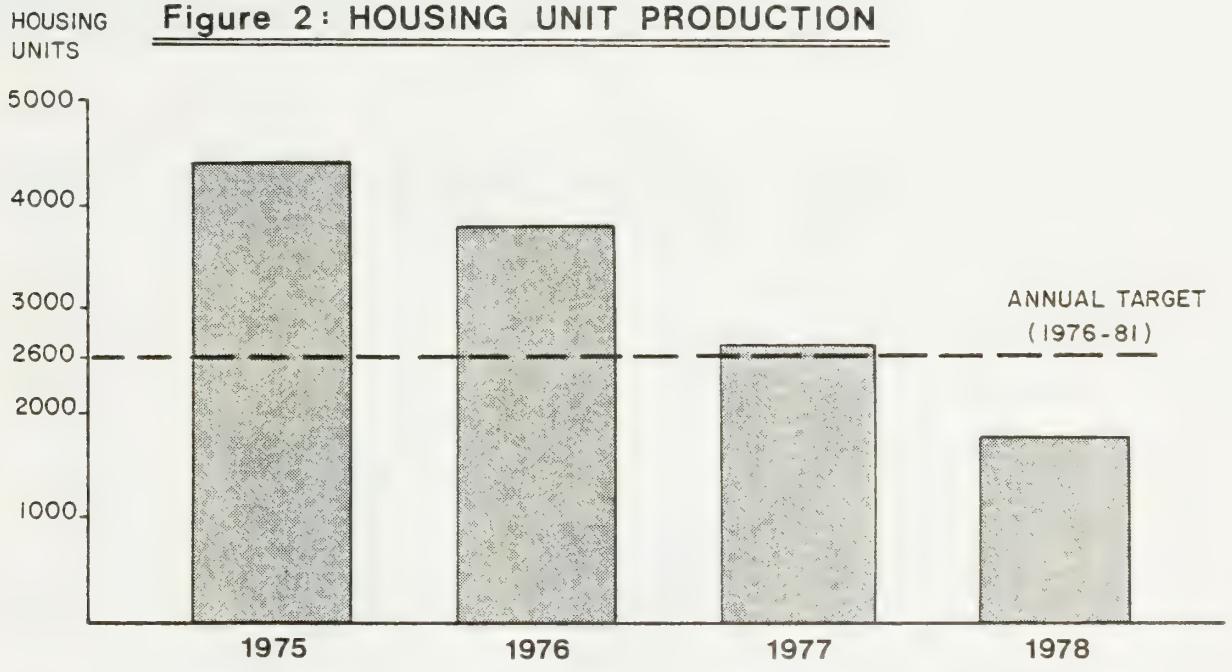


* The average growth rate per year (1971-2001) forecast in the Regional Official Plan is .8%.

4.2 HOUSING UNIT PRODUCTION (see Appendix 2)

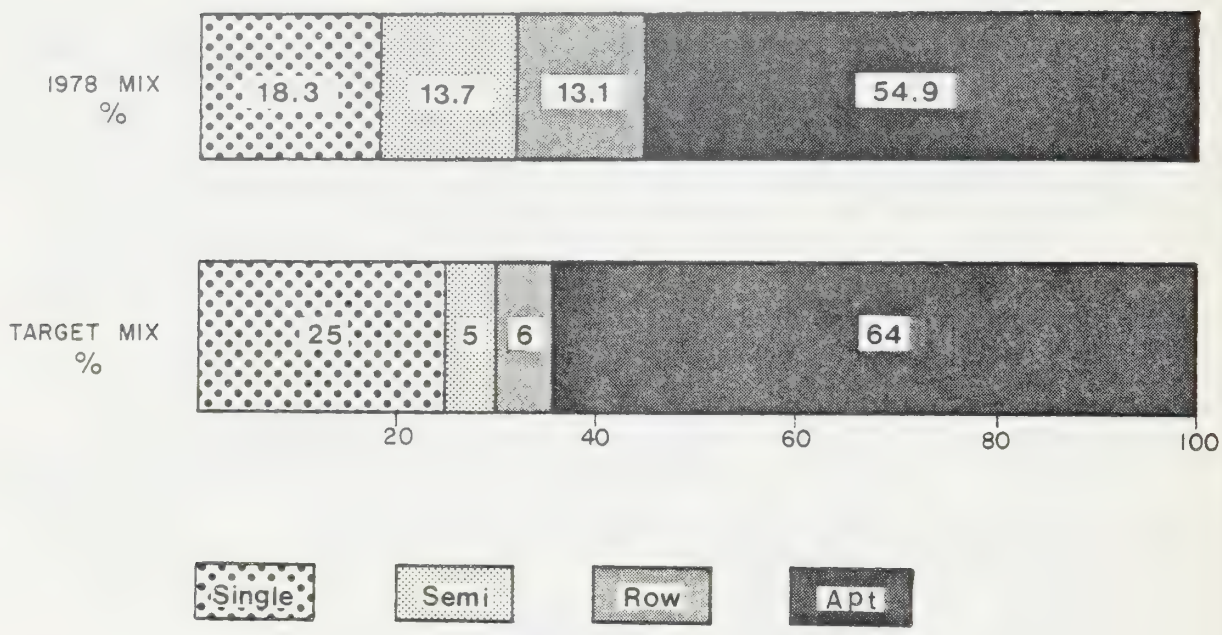
Housing unit production (units completed and available for occupancy) in 1978 amounted to 1,717 units net (1,922 new units - 305 demolitions). This figure fell short of the annual target of 2,600 units by 883 units. There has been a progressive decline in net annual housing unit production since 1975. (See Figure 2). However, when net annual production figures are averaged for the four-year period from 1975 to 1978, an annual average of 3,144 units is derived, some 21% above the annual target.

Figure 2: HOUSING UNIT PRODUCTION



In comparing the housing mix of the new housing with the mix established in the "Housing Needs" study, singles accounted for 18.3% of the net production, slightly below the target of 25%, but double the 1977 production figure for singles. Semi's and row housing accounted for 13.7% and 13.1% respectively, of the net production, considerably above the targets. Apartment units accounted for some 55% of the net production, slightly below the target of 64%. (See Figure 3).

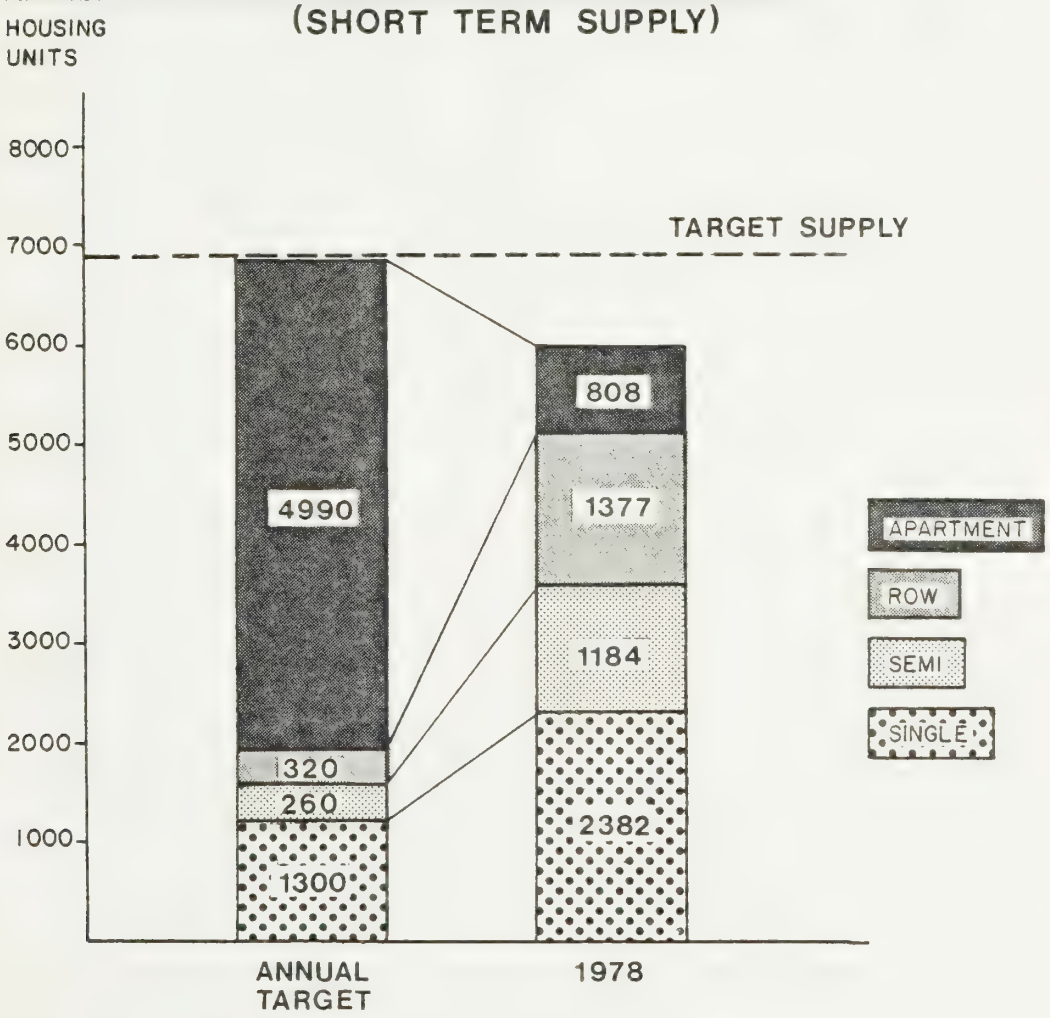
Figure 3 : HOUSING UNIT MIX



4.3 RESIDENTIAL LAND INVENTORY (see Appendix 3)

To ensure an adequate short-term supply of residential land for housing production, an annual target of 6,870 units has been established. The City's short-term supply of residential land for production in 1978 was 5,751 units, short of the target by 1,119 units. This included units approved, draft approved and under consideration. It is important to note that the short-term supply for single, semi-detached and row housing was well above the recommended targets by unit type. The short-term supply of potential apartment units, however, amounted to only 16% of the recommended target. This information is shown in Figure 4.

Figure 4: RESIDENTIAL LAND INVENTORY (SHORT TERM SUPPLY)



Regarding the supply of apartment units, it is important to realize that:

- there is currently an adequate supply of apartment units as evidenced by the relatively high apartment vacancy rate of 4.5%;

- large areas of the older neighbourhoods are pre-zoned for apartment development which has not materialized; and

- as of December 31, 1978, some 430 apartment units were under construction for an aggregate short-term supply of (430 construction units + 808 approved, draft approved and under consideration units) 1,238 units.

Therefore, the apartment component of the residential land inventory is not considered a problem. It is rather a question of supply adjusting to demand.

4.4 COMPARATIVE HOUSING PRICES

The price of homes in Hamilton ranks seventh in a survey of Ontario's ten larger cities. The average price for a typical three-bedroom home on a 6,000 square-foot lot in Hamilton as of June, 1978 was $58,900, while the average price for the ten centres surveyed was $62,700. It is also noteworthy that in Hamilton, the price had dropped 1.8% from October, 1977. (Figure 5A).

On a national scale, Hamilton appears in mid-range compared with other cities. Prices are considerably lower than in Toronto, Calgary, Edmonton or Vancouver, but higher than Montreal, St. John's, Halifax and Winnipeg. (Figure 5B).

FIGURE 5 - COMPARATIVE HOUSING PRICES - JUNE, 1978

A) ONTARIO

CITY	PRICE	% CHANGE OCTOBER 1977 TO JUNE 1978
Hamilton	$58,900	- 1.8
Toronto (Central)	81,600	2.0
Thunder Bay	70,000	7.7
Mississauga	69,000	1.5
Oakville	65,900	0
Burlington	64,000	2.4
Ottawa	62,600	.3
Kitchener	53,000	0
St. Catharines	52,000	11.8
London	50,000	2.8

AVERAGE - $62,700

Source: Royal Trust Corporation

B) CANADA

CITY	PRICE	% CHANGE OCTOBER 1977 TO JUNE 1978
Hamilton	$58,900	- 1.8
Toronto (Central)	81,600	2.0
Montreal	48,500	2.1
St. John's	44,000	- 3.9
Halifax	56,000	3.9
Winnipeg	57,000	1.8
Calgary	83,000	6.4
Edmonton	80,000	8.1
Vancouver	80,000	3.2
Victoria	63,500	- .8

AVERAGE - $65,250

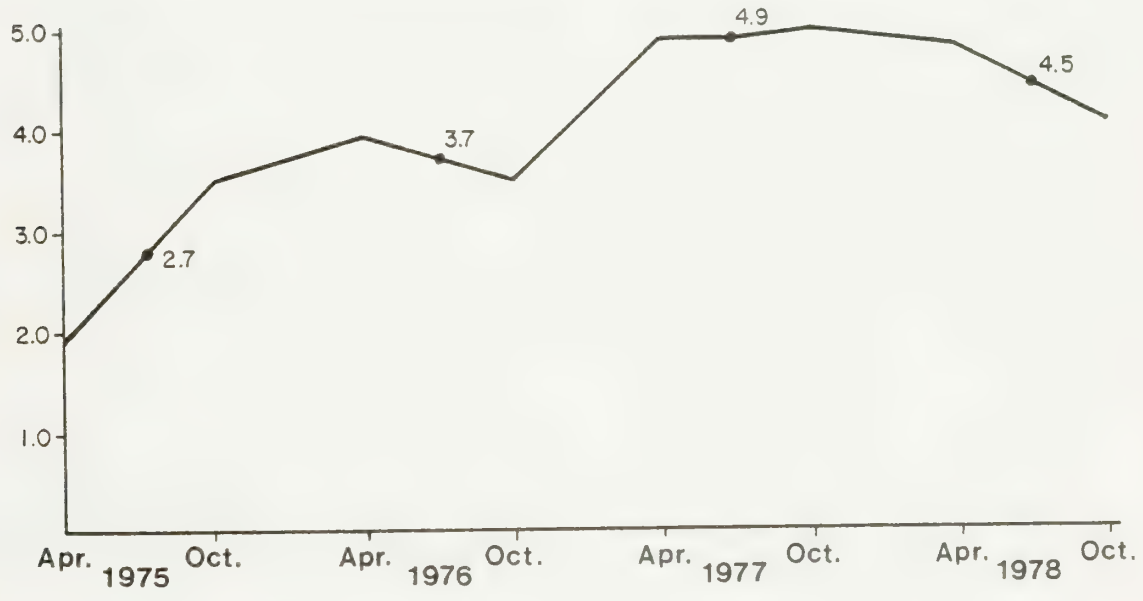
Source: Royal Trust Corporation

4.5 THE RENTAL APARTMENT MARKET (See Appendix 4)

No significant changes have been noted in the rental apartment market between 1977 and 1978.

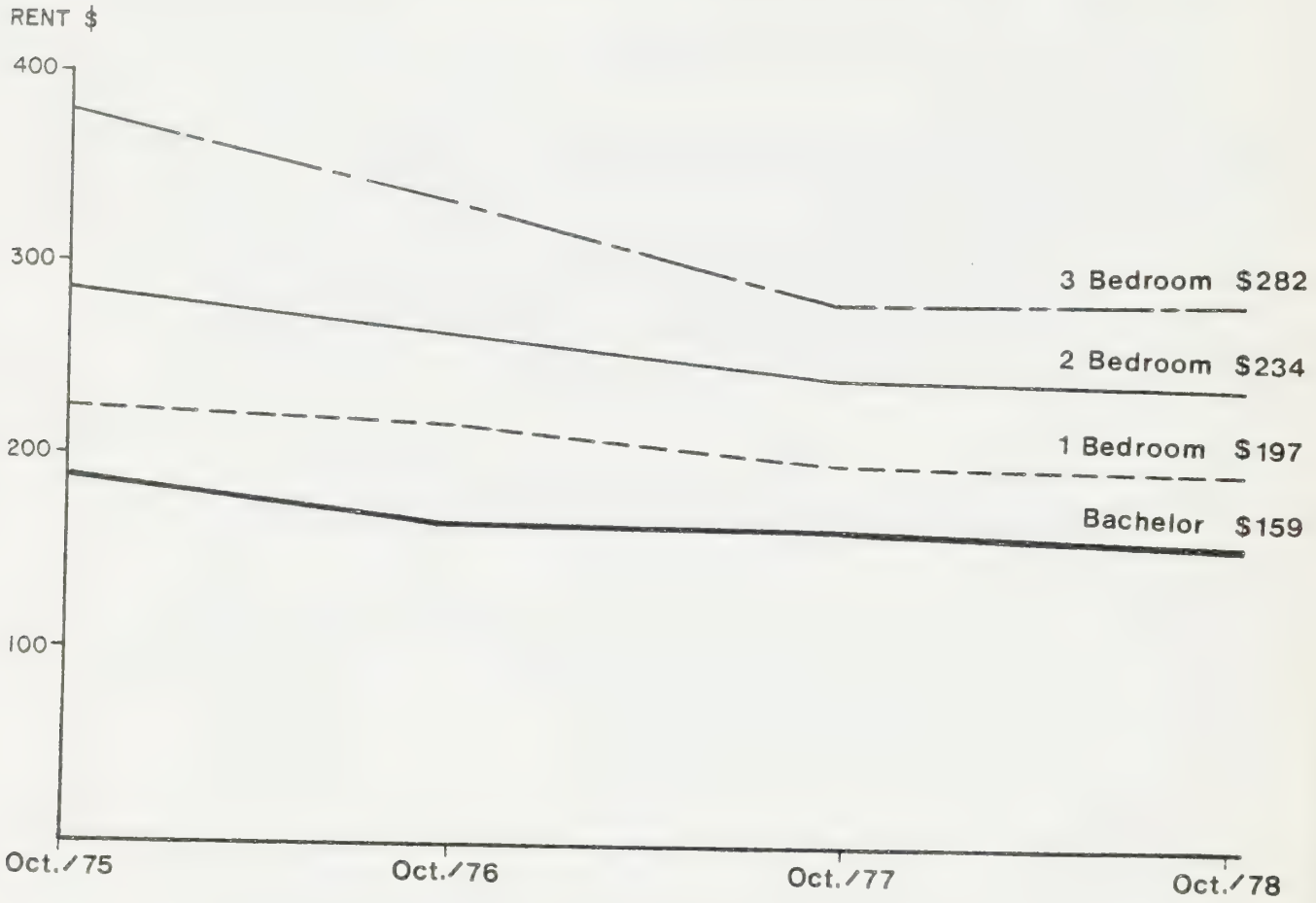
As shown in Figure 6, the apartment vacancy rate in 1978 averaged 4.5%, only slightly less than the figure for 1977. Vacancy rates were higher than the average annual rate in the Downtown Core, Central East and Central areas of the City.

Figure 6: APARTMENT VACANCY RATES 1975 - 1978



The vacancy rate is influenced by the market supply of apartment units. A high vacancy rate generally reflects market over-supply, which in turn, creates lower rent figures. Since 1975, there has been a decline in the average rent value of vacant apartment units. Figure 7 shows that when average rents for 1975 to 1977 are converted to 1978 dollars using the Consumer Price Index, the rents have decreased.

Figure 7 : AVERAGE RENTS FOR VACANT APARTMENTS 1975 - 1978 (CONVERTED TO 1978 DOLLARS)



In October, 1978, the average rent for a bachelor apartment was $159. In October, 1975, the average rent was $150., but when converted to 1978 dollars, it was $189.

4.6 CONDOMINIUM DEVELOPMENT

The production of condominium units dropped by 91% from 461 units in 1977 to only 41 units as of December 31, 1978. However, the inventory of existing condominium units had grown by 468 units for a total of 4,149 units. As shown in Figure 8, the bulk of the inventory (existing and under construction) consists of row housing (70.1%) and the remainder, apartments (29.9%). There were no conversions of existing housing units in 1978.

FIGURE 8 - TOTAL CONDOMINIUM UNIVERSE
CITY OF HAMILTON 1976-1978

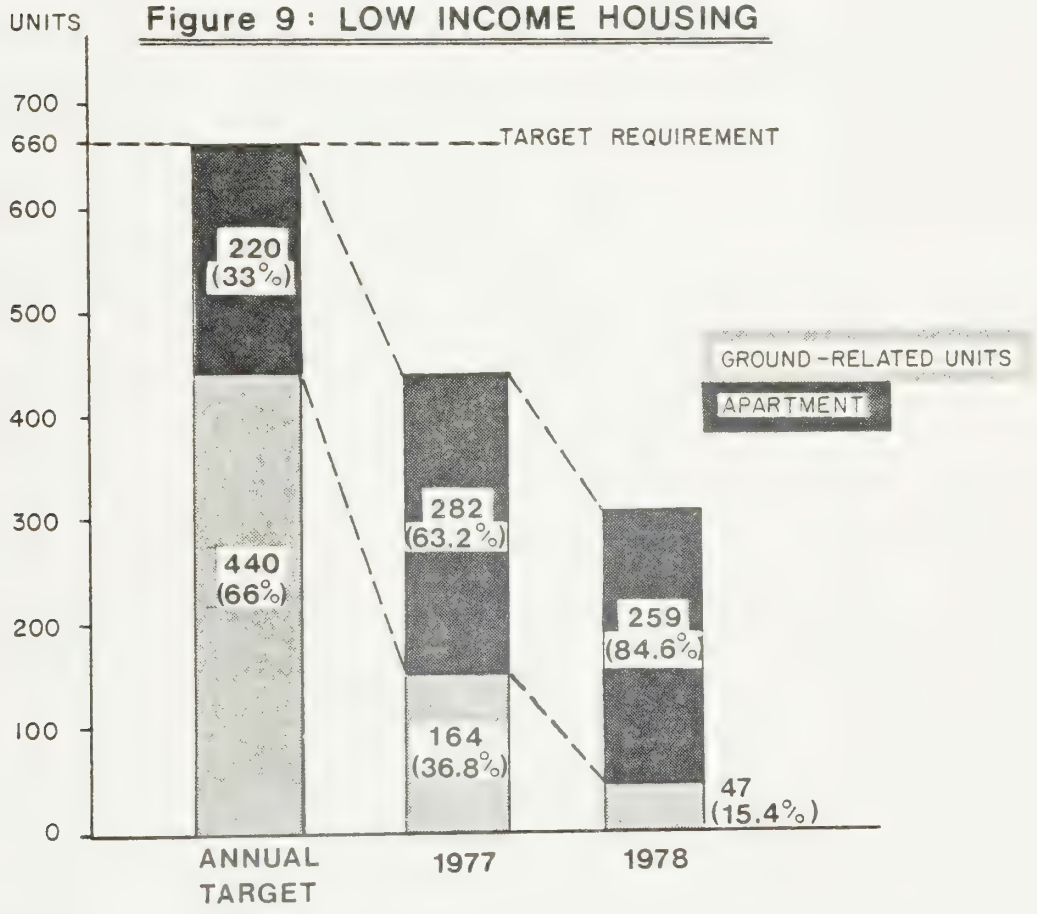
Date	Under Construction				Existing				Total			
	Row Actual	%	Apt. Actual	%	Row Actual	%	Apt. Actual	%	Row Actual	%	Apt. Actual	%
Dec.31/76	720	61.1	458	38.9	1941	69.9	835	30.1	2661	67.3	1293	32.7
Dec.31/77	279	60.5	182	39.5	2570	69.8	1111	30.2	2849	68.7	1293	31.2
Dec.31/78	41	100.0	0	0	2897	69.8	1252	30.2	2938	70.1	1252	29.9

Source: CMHC-Housing Statistics Monthly Reports, 1976/77/78

4.7 LOW INCOME HOUSING (See Appendix 5)

The Council-adopted Housing Policy has established an annual target of 660 units consisting of 440 row (ground-related) and 220 apartment units.

In 1978, the inventory of low-income housing* accommodations increased by 306 units, all of which were rent-geared-to-income. This increase is some 53.6% below the target. No additional non-profit housing units appeared in 1978. Figure 9 shows the breakdown of ground-related and apartment units created in 1978 in relation to the targets. The bulk of the increase consisted of apartments (84.6%), whereas the target recommends that only 33% of the total be for apartment units. As well, the target suggests that 66% of low-income housing be directed to row or ground-related units. In 1978, only 15.4% of new low-income units were ground-related.



* Refers to housing units where some form of cost assistance is provided.

This aspect of the housng market will require further exploration because:

- the low-income housing component has performed substantially below the target; and
- the target established for low-income housing in the Council-adopted Housing Policy has not been resolved with the Ministry of Housing.

4.8 RESIDENTIAL REHABILITIATION (see Appendix 6)

An annual target of 195 units has been established by the Housing Policy for the purposes of residential rehabilitation. This target was surpassed in 1978 as it has been since 1975. In 1978, 273 out of 499 applications were granted approval for assistance (169 under O.H.R.P. and 104 under R.R.A.P.) These approvals exceeded the total for 1977, but were substantially fewer than those granted in 1975 and 1976.

4.9 AFFORDABILITY OF HOUSING

One measure of the affordability of housing is the relationship between average house price and average household income. In Hamilton in 1978, the average house price was $43,017 [1] and the average household income was $17,202.[2] The Canadian average house price was $49,041.[3] while average household income amounted to $18,585.[4]

A rule of thumb for measuring affordability is that a family should spend not more than 25% of its gross income for mortgage payments and taxes. According to the figures for 1978, some 35% of Hamilton families could afford to buy an average house.[5] This is slightly higher than the national proportion which is closer to 30%.[6] It would appear that Hamilton enjoys a favourable relationship between household income and house prices, a reflection of relatively high average household incomes and relatively low average house prices.

The overall Hamilton situation regarding affordability mirrors the Canadian experience. Affordability is greatly affected by mortgage interest rates and house prices. The proportion of Canadian families able to afford a home in 1965 was high (almost one-half). This dropped to approximately 20% in 1974 because of the sharp increases in interest rates and house prices in the early 1970's.[7] The situation is now improving and affordability is no longer the concern it once was in Hamilton.

Sources:

1. Real Estate Department, City of Hamilton
2. Sales and Marketing Management, July, 1978
3. Royal Trust Corporation
4. Sales and Marketing Management, July, 1978
5. Sales and Marketing Management, July, 1978
6. Clayton Research Associates, Study of Single-Detached Home Ownership in Canada
7. Clayton Research Associates, Study of Single-Detached Home Ownership in Canada

SECTION 5 - CONCLUSION AND RECOMMENDATIONS

Overall, the supply and production component of the Hamilton housing market did not perform satisfactorily in 1978 relative to the Housing Policy targets. This is partially a result of the economic climate, both nationally and in Hamilton itself. It would appear that the targets for population growth, net housing unit production, the short-term land inventory and low-income housing should be reviewed and revised. It may, however, be advantageous to continue the monitoring for a further period to establish more long-term trends. Therefore, it is recommended that:

- the Housing Policy targets continue to be utilized in subsequent monitorings to evaluate the performance of the housing market until definitive market trends can be identified to warrant target adjustments.

APPENDICES

1. Population Growth
2. Housing Unit Production
3. Residential Land Inventory
4. Rental Apartment Market
5. Low-Income Housing - 1976-1978
6. Residential Rehabilitation
7. Housing Policy

APPENDIX 1: POPULATION GROWTH
CITY OF HAMILTON (1971-78)

YEAR	Assessed Population	Annual Growth Rate Absolute	%
1971	303,177		
		1214	0.4
1972	304,391		
		991	0.3
1973	305,382		
		1289	0.4
1974	306,671		
		3924	1.3
1975	310,595		
		2006	0.6
1976	312,601		
		-694	0.2
1977	311,907		
		-3943	-1.3
1978	307,964		
Average Annual Growth to 1977		1455	.5
Average Annual Growth to 1978		684	.2

Source: Regional Planning Division, Planning and Development Department, Hamilton-Wentworth Region

APPENDIX 2: HOUSING UNIT PRODUCTION - 1975-1978
CITY OF HAMILTON
(Housing Completions[1] - Demolitions)[2]

YEAR	Unit Type				Gross[1] Production	Demolitions[2]	Net Production	Actual Growth in Production	
	Single	Semi	Row	Apt.				Actual	Growth Rate %
1975					4678	304	4374		
								- 577	-13.2
1976					4143	346	3797		
								- 1109	-29.2
1977	433	195	695	1570	2893	205	2688		
								- 971	-36.1
1978	472	263	244	943	1922	205	1717		
TOTAL 1975-77					11714	855	10859	- 1686	-38.5
1975-78					13636	1060	12576	- 2657	-60.7

Sources: (1) C.M.H.C. Housing Statistics Monthly Report, 1975, 1976, 1977, 1978
(2) City of Hamilton Department of Buildings, Reports of the Months, 1975, 1976, 1977, 1978

Appendix 2.1 Demolition[2] By Unit Type, 1978

Unit Type	1978 No. Units
Single	158
Semi	28
Row	19
Apt.	-
TOTAL:	205

Appendix 2.2: Housing Unit Mix, 1977-1978

Unit Type	Target Units	%	Actual Units* # 1977	# 1978	% 1977	% 1978
Single	650	25	264	314	9.8	18.3
Semi	130	5	183	235	6.8	13.7
Row	160	6	671	225	25.0	13.1
Apt.	1660	64	1570	943	58.4	54.9
TOTAL:	2600	100	2688	1717	100.0	100.0

* Actual units represent net production figures.

(2) City of Hamilton Department of Buildings, Reports of the Months, 1975, 1976, 1977, 1978

APPENDIX 3: RESIDENTIAL LAND INVENTORY

UNIT TYPE	ESTIMATED	TARGETS	SHORT-TERM SUPPLY			TOTAL
			REGISTERED	DRAFT APPROVED	UNDER CONSID.	
Single	659 x 2	1300	20	1645	717	2382
Semi	130 x 2	260	30	1032	122	1184
Row	160 x 2	320	40	1069	268	1377
Apt.	1660 x 3	4990	169	293	346	808
TOTAL	2600	6870	259	4039	1453	5751

Source: Development Division, Planning and Development Department, Hamilton-Wentworth Region.

APPENDIX 4: RENTAL APARTMENT MARKET

APPENDIX 4.1: Apartment Vacancy Rates, 1975-1978
City of Hamilton

Survey Months	1975	1976	1977	1978
April	1.8	3.9	4.9	4.8
October	3.5	3.5	5.0	4.1
Average Annual	2.7	3.7	4.9	4.5

APPENDIX 4.2: Average Rents for Vacant Apartments
City of Hamilton, 1975-78

PERIOD	UNIT TYPE BY ACTUAL AND 1978 DOLLARS*							
	BACHELOR		1 BEDROOM		2 BEDROOM		3 BEDROOM	
	Actual $	1978 $	Actual $	1978 $	Actual $	1978 $	Actual $	1978 $
Oct. '75	150	189	179	226	223	281	260	380
Apr. '76	150	176	177	208	217	255	287	364
Oct. '76	139	164	183	215	225	265	266	338
Apr. '77	156	170	177	193	229	250	254	277
Oct. '77	150	163	183	199	220	240	258	281
**								
Oct. '78	159	159	197	197	234	234	282	282

* All dollar values have been converted to 1978 dollars by utilizing the Consumer Price Index (1975 CPI = 138.9; 1976 CPI = 148.9; 1977 CPI = 160.8; 1978 CPI = 175.2). The conversion is accomplished by the actual rent value per year ÷ by the CPI for that particular year x the 1978 CPI.

** Figures are not available for April, 1978.

Source: C.M.H.C., Rental Apartment Vacancy Surveys, April and October, 1975-1978

APPENDIX 5: LOW INCOME HOUSING - 1976-78

APPENDIX 5.1: Inventory of Rent-Geared-to-Income Units[1]

YEAR	SENIOR CITIZEN UNITS	FAMILY UNITS		TOTAL UNITS	INCREASE 1976-77-78
		DIRECT	RENT SUPPLEMENT		
1976	2728*	2222*	413	5363	
					168
1977	2728	2250	553	5351	
					306
1978	2987	2282	568	5837	

APPENDIX 5.2: Inventory of Non-Profit Housing Units[2]

YEAR	SENIOR CITIZEN UNITS	FAMILY UNITS	TOTAL UNITS	INCREASE 1976-77-78
1976	300	25	325	
				278
1977	452	151	603	
1978	452	151	603	0

Source: (1) Hamilton-Wentworth Housing Authority
(2) C.M.H.C. Non-Profit Housing Organizations, City of Hamilton

* 113 senior citizen units and 7 family units from Non-Profit Housing Organizations are subsidized under the O.H.C. Rent Supplement Program

APPENDIX 6: RESIDENTIAL REHABILITATION

TARGET: 195 units per year

	APPROVALS		
YEAR	O.H.R.P.	R.R.A.P.	TOTAL
1975			353
1976			452
1977	171	62	233
1978	169	104*	273

* includes new program - Hamilton Assistance Rehabilitation Program

Source: Department of Community Development, City of Hamilton

To the Corporation of the City of Hamilton

Members of Council:

The Planning and Development Committee presents its THIRTY-FOURTH Report for 1976 and recommends:

1. That the Hamilton Housing Needs Study dated January, 1976, prepared by Peter Barnard and Associates in conjunction with Proctor and Redfern Ltd., be adopted with the following amended policies and recommendations:

i) Meeting the Overall Housing Need

A. Adopt a housing unit target of 2,600 units to be built annually from 1976-81 and 3,000 units annually from 1981-86.

B. Adopt an annual housing unit inventory target approved for development of 1,300 single family dwelling units, 260 semi-detached dwelling units, 320 row house dwelling units, 4,990 apartment dwelling units.

C. Inform other Federal, Provincial, Regional and City agencies of targets.

D. Use unit type forecasts as guidelines in evaluating community and subdivision plans.

ii) Setting and Meeting Assistance Priorities

A. Provide 660 low income units (440 row, 220 apartment) annually by:

a) requesting the Provincial Government to raise shelter allowances.

b) requesting the Ministry of Housing to provide more rent supplement units.

c) requesting the Ministry of Housing and C.M.H.C. to provide more opportunities under the Modified Limited Dividend Program.

d) requesting the Ministry of Housing to provide additional public housing units.

e) the City initiating a study of the extent and nature of the problems faced by the handicapped in obtaining suitable accommodation.

f) the City examining the financial implications of creating a non-profit housing corporation.

B. Ease the problems of single senior citizens by:

a) requesting the Province to re-assess the C.A.I.N.S. program for single senior citizens.

b) ensuring that senior citizens units currently planned and/or requested are completed within the next five years.

iii) Stimulate Rental Construction

A. Stimulate apartment construction by:

a) requesting the senior governments to examine rental investment incentives.

b) the City investigating the use of incentives to stimulate apartment construction.

c) carefully monitoring apartment construction.

B. Stimulate construction of more rental units suitable for families by:

a) ensuring a mix of family rental units in subdivisions.

b) discouraging condominium conversion of row and low-rise units.

c) establishing a quota system to be used in evaluating condominium applications.

d) requesting the C.M.H.C. and the Ministry of Housing to examine the lack of low-rise rental units.

e) studying various alternatives to encourage low-rise apartments.

iv) Rehabilitation of Existing Housing Stock

A. Establish and meet an O.H.R.P. target of 195 units annual

B. Continue participation in the N.I.P. and R.R.A.P. progra

C. Monitor the number of units rehabilitated through the application of the Property Standards By-law.

v) Residential Development Monitoring Program

A. Establish a monitoring program in the Regional Planning Department.

B. The City involve 'outside' agencies and organizations as well as other civic departments in establishing a program of monitoring residential development.

C. Solicit and disseminate information regarding housing trends on a regular basis.

URBAN/